Commentary

CIOs: How Your Fellow Executives See You

As a CIO, you may aspire to a dynamic role at the heart of business strategy. But would your colleagues on the board value your contributions? Our survey reveals that CIOs are expected to meet objectives, not set them.

Relationships are critical for all managers. But they are particularly important for CIOs because:

- Few people outside IT know what they do.
- Most CIOs have found it hard to demonstrate the value of their work.
- CIOs can only change the businesses they work for with the active cooperation of other managers.

Most CIOs are well aware of this and take their relationships seriously. But many simply don't know how others see them. Gartner has surveyed over a hundred senior European executives recently. Their views may surprise you.

GartnerG2 interviewed 113 executives working in major businesses in the United Kingdom, France, Germany and Sweden and drawn from a variety of sectors and business functions. All were actively involved in making company strategy and half were C-level managers (CEOs, managing directors, vice-presidents, directors or heads of major departments). The survey looked at a wide range of issues touching on strategy, the strategy-making process and the people involved. A number of questions related to IT and the CIO.

Most of the executives interviewed:

- Saw IT as a relatively poor source of competitive advantage.
- Saw the CIO as risk-averse and not a long-term thinker.
- Wanted the CIO to be that way.
- Thought that the IT department was poorly prepared for the future (but were unclear why).

These views may be unflattering, but perception is reality in these matters. CIOs need to know what other executives think of them and of their departments.
IT as a Source of Competitive Advantage

IT is important, but seldom decisive.

The executives were positive about IT's role as a source of competitive advantage. Most placed IT over halfway up the scale of importance.

This is less impressive when compared with other possible sources of competitive advantage. Five out of 12 sources of advantage — product or service excellence, staff skills, customer intimacy, brand perception and non-scale economies — were placed higher than IT. And respondents made it clear that their high ratings usually meant something was "a competitive necessity," rather than "a way to beat our competitors." Few commented on the need for IT to support higher-rated sources of advantage, such as customer intimacy.

The perceived importance of IT does vary between industry sectors, but it always sits somewhere in the middle.

IT will become more important — like everything else.

Managers also said that the importance of IT as a source of competitive advantage would increase within their strategic planning periods. But they said that everything else would become more important, too.

Out of 63 respondents who said IT would become more important, only 12 gave specific reasons. The others indicated that its importance was obvious. Of the 15 reasons mentioned by this discriminating dozen, process efficiency was mentioned most often (six times). This shows that IT does not figure largely in the thoughts of most senior executives — at least, not enough for them to understand its specific importance in their own businesses.
The specific reasons given for the increasing importance of IT varied widely:

- "As a wireless infrastructure supplier [we are] moving into the IP market-space — and IP is traditionally the domain of IT." (VP of corporate development, telecommunications)
- "We could know much more about our customers." (Corporate development manager, distribution)
- "Products are getting more and more complex." (Senior VP, automotive)
- "Our IT processes need to adjust, so that we achieve the last few percents of productivity." (Chief manager, controlling and quality management, retailing)

Most executives did not expect the importance of IT to increase relative to other sources of competitive advantage.

*Don't look to IT for sustainable competitive advantage.*

IT was thought to be the hardest source of competitive advantage to develop, except for access to finance. The executives also thought it was among the least sustainable, with only access to finance and agility harder to sustain. Opinions on this were similar in every country and sector.

Most senior executives see IT as important, but mainly as a source of process efficiency, rather than commercial differentiation. They believe any IT-based differentiation could not be sustained.

**The CIO and Strategy**

Executives generally think the CIO has little influence on business strategy. They see the CIO as risk-averse and focused on the short term, but also believe that that is the kind of CIO they need.

*CIOs have little influence on business strategy.*

Out of eight senior positions, the CIO was rated seventh in terms of influence on strategy. CIOs are generally viewed as less influential than anyone except the HR director.
The head of corporate development in a process manufacturer was clearly speaking for many when he said the CIO was "not really relevant" when it came to strategy.

Even so, there are a few firms where the CIO makes a major contribution to business strategy. Thirteen senior managers (12 percent) rated the CIO's influence as greater than that of three or more other directors, and four rated it as being even greater than the CEO's. Eleven of these 13 were in the United Kingdom or Sweden, but there was no concentration in particular industry sectors.

The CIO is not a long-term thinker.

Though CIOs often complain that they need to plan systems on a longer time scale than other business functions, they are not seen as long-term thinkers by their peers.
The CIO is right to be a conservative.

The executives surveyed fell into two groups, with different attitudes to risk — the optimists and the conservatives. There was no significant variation by country, and the average composition of each group was surprisingly consistent.
The CIO was seen as a conservative in every country and every sector, except automotive and utilities.

Most of the respondents saw the CIO's membership of the conservative group as appropriate to the role. Several stressed the overriding need for the CIO to keep operational systems working:

- "[It's the] same as for the production or operations manager. His job is to make the objectives work. We don't expect him to take risks, and we don't want it." (Corporate development manager, financial services)
- "The CIO [is] linked very closely to our legacy." (Vice president of competitor analysis, telecom)
- "Some of our systems have been running for decades. We can't just chuck them out. Instead, we keep adding more and more features to the old structure." (Head of strategic marketing, mail order)

Other executives referred to policies set by the board, or to pressure of circumstances. For instance, the director of market analysis in a telecom firm said, "We have a very 'security-aware' culture and so his approach has to be very methodical." No one referred to the CIO's personal characteristics. They saw the CIO's attitudes as determined by the role, not by the personality.

**The IT Department**

In general, the survey participants were not entirely satisfied with their IT departments. Of the seven business functions respondents were asked to consider, IT came next to last in its perceived readiness to cope with the future. Only HR was seen as less prepared.

![Figure 5: How Business Functions Are Placed to Support the Strategy](image)

Base: European executives with strategic responsibility
Source: GartnerG2 (April 2003)

Seventeen respondents gave specific reasons for their critical views of the IT department. But different companies seemed to suffer from different IT weaknesses, and no consensus emerged.
Respondents thought the IT department would become more important in the future. But then, they expected all functions to become more important in the future and did not expect the relative importance of IT to increase.

**The Actions Needed**

Senior managers do not hold these relatively dismissive views of the CIO in every organization. In a few cases, the CIO is seen as a business leader who contributes to strategy, sometimes being even more influential than the CEO or CFO. But these companies, and these CIOs, are very unusual.

In most major European companies — and in many elsewhere — the CIO’s colleagues hold an unflattering view of the CIO. Many CIOs will find these results worrying, but whether they are a problem depends on the individual’s own aspirations.

The survey findings show that the CIO can have a valued place as the organization's "chief engineer." He may not be on the bridge, commanding the ship, but his contribution is valued. Some CIOs will be content with that.

Others want to be more. They want to show the board how IT can transform strategy. They want to be involved in critical business decisions — even those without an IT component. They are willing to be accountable for the business. These CIOs need not be disappointed, though they face an uphill struggle. The first requirement is to be a good "chief engineer," to see that the technology runs smoothly and to make sure the IT department is responsive. When that is achieved, these more ambitious CIOs will have the credibility to contribute to strategy and to the direction of the wider business. By offering flexible support and practical insights, they can change the way they are seen.

**Bottom Line:** Some CIOs aspire to be entrepreneurial business leaders — pushing their companies forward. That is not what most companies want from their CIOs. Most non-IT executives want the CIO to be their chief engineer, not their trailblazer.

CIOs should make certain they know what their colleagues expect. If the expectation is "chief engineer," they must be very sure the turbines are running smoothly before leaving the engine room to offer advice on the bridge.